

1997 SMALL BUSINESS PROFILE

SMALL BUSINESS: BACKBONE OF THE RHODE ISLAND ECONOMY

The importance of small business to the state of Rhode Island is evident in the 1997 Small Business Profile. The findings reported in this year's profile, compiled by the U.S. Small Business Administration's (SBA) Office of Advocacy, clearly indicate the crucial role small businesses play in the state's economy. Not only do small businesses play a vital role as job creators, but their diversity and composition provide the work force with endless opportunities.

Number of Businesses - In 1996, Rhode Island had 30,816 businesses with employees; 96.9 percent of the businesses were small businesses (percent based on 1994 data for independent businesses with fewer than 500 workers). In addition to the number of employer businesses, the state also had 23,000 self-employed persons in 1996, for an estimated total of 53,816 businesses.

Small Business Income - The income of sole proprietors and partners rose 3.1 percent to \$1.4 billion in 1996, while wage-and-salary income rose 2.5 percent. Total personal income rose 2.6 percent to \$13.8 billion. The state also exported \$954.8 million of goods in 1996.

Minority Businesses - According to The National Foundation for Women Business Owners, as of 1996, there were 29,200 women-owned businesses in Rhode Island, including part-time firms, employing 90,600 people and generating \$10.2 billion in sales. Between 1987-1996, the number of women-owned businesses, increased 84.8 percent.

According to the latest Bureau of the Census data, the number of Black-owned firms, including part-time firms, increased 75.3 percent from 1987 to 1992, totaling 857 in 1992. The number of Hispanic-owned firms, including part-time businesses, rose 204.5 percent during the same time period with 1,297 firms in 1992. There has also been a marked increase in the number of businesses owned by Asian and Pacific Islanders, American Indians, and Alaskan Natives. The number for this group grew from 472 in 1987, to 987 in 1992, representing a 109.1 percent increase.

Business Turnover - The number of new firms increased 3.8 percent, while new business incorporations decreased 4.5 percent in 1996. Financial difficulties leading to business bankruptcies increased by 11.7 percent and business failures increased by 3.9 percent during 1996.

Finance - An SBA Office of Advocacy study found that the number of banks in Rhode Island decreased from 10 in 1994 to 8 in 1996. The study also found the top lenders to small businesses in fiscal year 1996 were:

Bank Name	Location
PIERBANK	Narragansett
FIRST B&TC	Providence
WASHINGTON TC	Westerly
CITIZENS TC	Providence

Job Growth - Small businesses created jobs while large businesses lost jobs from 1992 to 1996. Very small businesses (less than 20 employees) represented 89.0 percent of the small business growth with 21,435 new jobs. These numbers clearly reflect the importance of small businesses as job creators.

Number of Jobs Created by Major Industry and Employment Size of Firm, 1992-1996

Industry	1-4	5-19	20-99	100-499	500+	Totals
All Industries	23,277	(1,842)	(5,374)	8,028	(25,048)	(960)
Manufacturing	818	83	(2,146)	(274)	(3,847)	(5,367)
Retail Trade	5,630	(2,544)	(724)	2,487	(2,895)	1,952
Services	11,968	153	889	5,237	(8,891)	9,355
Other	4,863	468	(3,393)	579	(9,416)	(6,901)

Industries - The composition of small business in Rhode Island is very diverse. The Health Services industry is the largest small business employer in Rhode Island, followed by Eating & Drinking Places. The fastest growing industry for small business is Nondepository Credit Institutions (represents industries that were at least 0.25% of the 1994 total).

The following three tables provide further information about the composition of the small business sector in the state. The information is for 1994, the latest year available.

Table 1, Top Five Industries in Rhode Island by Employment, 1994

Industry	SIC	Employment Total	Percent of Total	Percent Small
Total - All Industries	--	370,342	100.0	58.6
Health Services	8000	49,852	13.5	50.0
Business Services	7300	25,831	7.0	53.9
Eating & Drinking Places	5800	25,699	6.9	74.4
Miscellaneous Manufacturing Industries	3900	19,536	5.3	73.4
Educational Services	8200	15,425	4.2	25.5

Table 2, Top Five Small Business Industries in Rhode Island by Employment, 1994

Industry	SIC	Employment in firms with 0 - 499 employees	Percent of Total	Percent Small
Total - All Industries	--	217,041	100.0	58.6
Health Services	8000	24,910	13.5	50.0
Eating & Drinking Places	5800	19,129	6.9	74.4
Miscellaneous Manufacturing Industries	3900	14,338	5.3	73.4
Business Services	7300	13,917	7.0	53.9
Social Services	8300	9,845	2.9	92.6

Table 3, Fastest Growing Industries for Small Business in Rhode Island, 1993 - 1994

Industry	1993	1994	Amount Change	Percent Change
Total - All Industries	216,910	217,041	131	0.1
Nondepository Credit Institutions	686	889	203	29.6
Depository Institutions	1,858	2,338	480	25.8
Electric, Gas, & Sanitary Services	516	581	65	12.6
Automotive Dealers & Gasoline Service Stations	4,621	5,124	503	10.9
Paper & Allied Products	1,949	2,157	208	10.7

Sources: Office of Advocacy, U.S. Small Business Administration from data provided by the Department of Commerce, Department of Labor, Administrative Office of the U.S. Courts, Federal Reserve Board, Dun & Bradstreet Corporation, National Foundation of Women Business Owners, and Cognetics Inc.